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**SAGA GROUP LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 JANUARY 2010**

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**SAGA GROUP LIMITED**  
**Directors' report**

Directors: J A Goodsell  
S M Howard

Secretary J Davies

Registered Office: Enbrook Park, Folkestone, Kent CT20 3SE

Company Registration no 638891

The Directors submit their report together with the audited financial statements for the year ended 31 January 2010.

**Results and dividends**

The profit for the year before taxation amounts to £73,381,000 (2009 - £86,534,000) After taxation, a profit of £78,752,000 (2009 - £87,749,000) has been taken to reserves No dividends have been paid in the year (2009 - £nil)

**Principal activity and review of business developments**

The Company's principal activity is to provide administrative services to other group companies The Group's principal activities are the provision of inclusive holidays, cruises and travel services, and insurance and financial services, to people aged fifty and over

The Company's key financial and other performance indicators during the year were as follows:

	<b>2010</b>	<b>2009</b>	<b>change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Total administrative and marketing expenses	10,417	7,952	(31.0)
Income from shares in group undertakings	82,500	91,500	(9.8)
Profit on ordinary activities before taxation	73,381	86,534	(15.2)
Average number of employees	<u>512</u>	<u>488</u>	4.9

The prior year's average number of employees figure has been restated due to an error in the original calculation

Due to the nature of the Company's activities meaningful comparison of year on year movements is not possible

**SAGA GROUP LIMITED**  
**Directors' report continued**

**Principal Risks And Uncertainties**

The Company follows a structured risk identification and assessment process that involves all of its Directors and which is updated on an ongoing basis

The principal risks have been grouped into the following categories

*Market Risk*

The Company's subsidiaries continue to operate in highly competitive markets with increasing numbers of competitors realising that the over 50's is an attractive market segment. This could lead to increased price competition with the effect of reduced margins or reduced market share. These risks are managed through promotion of the group brand and continuing efforts to improve efficiency and reduce costs.

*Brand Risk*

The Company recognises that the Saga brand is a key differentiator and source of competitive advantage, and brand damage from low quality products or services could have an adverse impact on the Company.

*Operational Risk*

Key operational risks the Company's subsidiaries face include call centre disruption through loss of telephony or IT infrastructure, loss of physical infrastructure (such as building loss or access restrictions) or insufficient staff being available to handle call volumes.

In order to manage these risks, the Company has put in place rigorous procedures and controls designed to prevent these risks occurring or, where this is not possible, to mitigate their effects. These controls are monitored both by the Compliance and Internal Audit functions to ensure they are working effectively.

**Future developments**

The Company will continue to act as an intermediate holding company.

**Employee involvement**

During the year the Company has maintained the practice of keeping employees informed about current activities and progress by various methods including a regular staff newsletter. Employee participation and involvement is encouraged.

**Employment of disabled persons**

It is the policy of the Company to develop a working environment and to offer terms and conditions of service to provide disabled persons, with the appropriate skills and qualifications, equal opportunities to seek and maintain employment with the Company. It is the Company's policy to retain in employment, whenever practicable, employees who become disabled and give all such employees equal consideration for training and career development to enable them to fulfil their promotion potential.

**SAGA GROUP LIMITED**  
**Directors' report continued**

**Statement of Directors' responsibilities**

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the year.

The Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Directors confirm that the accounting policies are appropriate to the Company's business and have been applied consistently. In preparing the financial statements for the year, the Directors have made reasonable and prudent judgements, have ensured that applicable accounting standards have been followed, and confirm that it is appropriate to prepare the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is the Group's policy to maintain indemnity insurance for Directors and officers.

**Disclosure of information to the auditors**

Each current Director has made enquiries of their fellow directors and the Company's auditor and taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Relevant audit information is that information needed by the auditor in connection with preparing its report. So far as each director approving this report is aware, and based on the above steps, there is no relevant audit information of which the auditor is unaware.

**Auditors**

In accordance with section 487(2) of the Companies Act 2006, the Auditors Ernst & Young LLP are deemed re-appointed.

By order of the Board



J Davies  
Secretary  
6 July 2010

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGA GROUP LIMITED**

We have audited the financial statements of Saga Group Limited for the year ended 31 January 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Shareholders' Funds, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement as set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 January 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

*Ernst & Young LLP*

Kevin Senior (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

7 July 2010

**SAGA GROUP LIMITED****Profit and loss account for the year ended 31 January 2010**

	Note	2010 £'000	2009 £'000
Administrative and marketing expenses		(6,008)	(7,736)
Exceptional items	3	(4,409)	(216)
<b>Total administrative and marketing expenses</b>		<u>(10,417)</u>	<u>(7,952)</u>
Other operating income	2	1,302	3,400
<b>Operating loss</b>	3	<u>(9,115)</u>	<u>(4,552)</u>
Income from shares in group undertakings		82,500	91,500
Interest payable and similar charges	4	(4)	(414)
<b>Profit on ordinary activities before taxation</b>		<u>73,381</u>	<u>86,534</u>
Taxation	8	5,371	1,215
<b>Profit on ordinary activities after taxation</b>	18	<u>78,752</u>	<u>87,749</u>

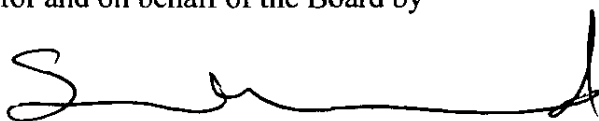
There were no recognised gains or losses other than the amounts included above

<b>Reconciliation of shareholders' funds</b>	2010 £'000	2009 £'000
Total recognised gains and losses relating to the year	78,752	87,749
Net movement in shareholders' funds	<u>78,752</u>	<u>87,749</u>
Shareholders' funds brought forward	487,575	399,826
Shareholders' funds carried forward	<u>566,327</u>	<u>487,575</u>

**SAGA GROUP LIMITED**  
**Balance sheet as at 31 January 2010**

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Tangible assets	9	7,304	5,546
Investment in subsidiary undertakings	10	106,714	62,372
		<u>114,018</u>	<u>67,918</u>
<b>Current assets</b>			
Stock		12	14
Debtors	11	1,232,275	993,436
Cash on deposit	12	208,443	118,774
Cash at bank and in hand		163	83
		<u>1,440,893</u>	<u>1,112,307</u>
<b>Creditors - amounts falling due within one year</b>	13	(986,504)	(690,405)
<b>Net current assets</b>		<u>454,389</u>	<u>421,902</u>
<b>Total assets less current liabilities</b>		568,407	489,820
<b>Creditors - amounts falling due after more than one year</b>	14	(2,080)	(2,145)
<b>Provisions for liabilities</b>	16	-	(100)
<b>Net assets</b>		<u>566,327</u>	<u>487,575</u>
<b>Capital and reserves</b>			
Called up share capital	17	3,617	3,617
Share premium account	18	84	84
Profit and loss account	18	562,626	483,874
<b>Shareholders' funds</b>		<u>566,327</u>	<u>487,575</u>

Signed for and on behalf of the Board by



S M Howard  
 Director  
 6 July 2010

**SAGA GROUP LIMITED**  
**Notes to the financial statements**

**1 Accounting policies**

**a Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards as defined in the Companies Act 2006 s.464

The Company has taken advantage of the exemption under the Companies Act 2006 s 400 not to prepare and deliver group financial statements as it is a wholly owned subsidiary of the ultimate holdings company Acromas Holdings Limited. As such, these financial statements show only the results of the individual company and not the group

Investments in subsidiaries are accounted for at the lower of cost and net realisable value

**b Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended. The cost of fixed assets less their expected residual value is depreciated by equal instalments over their useful economic lives. These lives are as follows

Leasehold properties	over the period of the lease
Fixtures & fittings	3 - 10 years
Plant and Machinery	3 - 10 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

**c Operating leases**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

**d Stocks**

Stocks are valued at the lower of cost and net realisable value

**e Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

**f Pension benefits**

Annual contributions are made to the UK defined benefit pension Scheme on the advice of actuaries for funding of retirement benefits in order to build up reserves for participating employees during the employee's working life to pay to the employee or dependent a pension after retirement

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company accounts for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The costs of providing these benefits are charged to the profit and loss account on a regular basis. Amounts charged to operating profit represent the contributions payable to the scheme in the year



## SAGA GROUP LIMITED

### Notes to the financial statements continued

**g Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

**h Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

**i Cash flow statement**

The Directors have taken advantage of the exemption available under FRS 1 (Cash flow statements) of the requirement to prepare a cash flow statement as a consolidated cash flow statement has been presented in the financial statements of the ultimate parent undertaking, Acromas Holdings Limited

**j Interest income**

Revenue is recognised as interest accrues

<b>2. Other operating income</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Interest on deposits	1,302	3,398
Other interest receivable	-	2
	<u>1,302</u>	<u>3,400</u>
 <b>3. Operating loss</b>	 <b>2010</b>	 <b>2009</b>
Operating loss is stated after charging/(crediting)	<b>£'000</b>	<b>£'000</b>
Depreciation of owned tangible fixed assets	1,359	1,399
Depreciation of leased tangible fixed assets	700	315
Deferred government grant release	(65)	(131)
Fees for the audit of the Company	15	15
Operating lease rentals – land and buildings	1,451	1,323
Operating lease rentals – plant and machinery	580	708
Exceptional item – remedial works	261	216
Exceptional item – restructuring costs	<u>4,148</u>	<u>-</u>

The exceptional items relate to (a) costs associated with a major one-off programme of remedial works to an office building, (b) restructuring expenditure costs primarily relating to redundancy costs, professional fees and the re-organising of Group operations.

Any fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated financial statements of the ultimate parent undertaking, Acromas Holdings Limited, are required to disclose non-audit fees on a consolidated basis.

**SAGA GROUP LIMITED****Notes to the financial statements continued**

<b>4. Interest payable and similar charges</b>	2010	2009
	£'000	£'000
Intercompany interest	2	407
Other interest payable	2	7
	<u>4</u>	<u>414</u>

<b>5. Directors' emoluments</b>	2010	2009
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>2,297</u>	<u>2,337</u>
Members of defined benefit pension scheme	<u>2</u>	<u>2</u>

The amounts paid in respect of the highest paid Director were as follows -

	2010	2009
	£'000	£'000
Aggregate emoluments in respect of qualifying services	<u>1,477</u>	<u>1,492</u>
Defined benefit pension scheme.		
Accrued pension at end of year	<u>70</u>	<u>66</u>

<b>6. Staff costs</b>	2010	2009
	£'000	£'000
Wages and salaries	17,084	15,888
Social security costs	1,699	1,563
Pension costs	1,238	764
	<u>20,021</u>	<u>18,215</u>
Average number of persons employed during the year was.	<u>512</u>	<u>488</u>

## SAGA GROUP LIMITED

### Notes to the financial statements continued

#### 7. Pension benefits

The Company is a member of the Saga Group Pension and Life Assurance Scheme which is a defined benefit scheme

The Company is one of a number of Saga companies participating in the Scheme, and its contributions are affected by the financial position of the Scheme as a whole. As it is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company is accounting for its pension expense on a defined contribution basis in accordance with FRS 17 (Retirement benefits). The FRS17 deficit (gross of deferred taxation) of the Scheme at 31 January 2010 was £7.0 million (2009 - £11.5 million surplus).

Further details of the Scheme can be found in the financial statements of the ultimate holding company, Acromas Holdings Limited

#### 8. Taxation

	2010	2009
	£'000	£'000
UK corporation tax at 28% (2009 – 28.33%) – current year	(2,977)	(761)
Adjustments relating to prior years	29	(454)
Current tax	(2,948)	(1,215)
Deferred tax – current year	(2,423)	-
	<u>(5,371)</u>	<u>(1,215)</u>

Reconciliation of Current Tax Credit -	2010	2009
	£'000	£'000
Pre-tax profit at 28% (2009 – 28.33%)	20,547	24,515
Non taxable dividend income	(23,100)	(25,920)
(Accelerated)/decelerated capital allowances	(153)	446
Provisions against capital investments and loans	(47)	439
Permanent differences	38	145
Other timing differences	(262)	(386)
Adjustments relating to prior years	29	(454)
Current tax credit for the year	<u>(2,948)</u>	<u>(1,215)</u>

The tax credit relating to the exceptional items amounts to £1,235,000 (2009 - £61,000)

The tax credit for the current year is entirely made up of receipts from other group companies for group relief

There are no circumstances foreseen that are expected to materially impact future tax charges.

**SAGA GROUP LIMITED****Notes to the financial statements continued****9. Tangible fixed assets**

	Short Leasehold Land & Buildings £'000	Fixtures & Fittings £'000	Plant & Machinery £'000	Total £'000
<b>Cost</b>				
At 1 February 2009	4,640	10,065	12,373	27,078
Additions	90	807	2,920	3,817
At 31 January 2010	<u>4,730</u>	<u>10,872</u>	<u>15,293</u>	<u>30,895</u>
<b>Depreciation</b>				
At 1 February 2009	1,861	8,492	11,179	21,532
Charge for year	700	391	968	2,059
At 31 January 2010	<u>2,561</u>	<u>8,883</u>	<u>12,147</u>	<u>23,591</u>
<b>Net book amounts</b>				
At 31 January 2010	<u>2,169</u>	<u>1,989</u>	<u>3,146</u>	<u>7,304</u>
At 31 January 2009	<u>2,779</u>	<u>1,573</u>	<u>1,194</u>	<u>5,546</u>

**10. Investment in subsidiaries**

	Subsidiary Undertakings £'000
<b>Cost</b>	
At 1 February 2009	63,616
Additions	52,342
Disposals	(8,000)
At 31 January 2010	<u>107,958</u>
<b>Provision</b>	
At 1 February 2009	1,244
Additions	-
Disposals	-
At 31 January 2010	<u>1,244</u>
<b>Net book amount</b>	
At 31 January 2010	<u>106,714</u>
<b>Net book amount</b>	
At 31 January 2009	<u>62,372</u>

## SAGA GROUP LIMITED

### Notes to the financial statements continued

#### 10. Investment in subsidiaries (continued)

The main operating subsidiary undertakings of Saga Group Limited, all of whose ordinary shares are directly held with the exception of Saga Cruises Limited, Saga Cruises II Limited & Enbrook Cruises Limited, which are held by Acromas Shipping Limited and in turn held by Acromas Holidays Limited and by Acromas Travel Limited, are listed below:

Company	Country of registration	Nature of business
Acromas Holidays Limited	England	Tour Operating
Acromas Transport Limited	England	Tour Operating
Acromas Travel Limited	England	Tour Operating
Acromas Shipping Limited	England	Cruising
Saga Cruises Limited	England	Cruising
Saga Cruises II Limited	England	Cruising
Enbrook Cruises Limited	England	Cruising
Saga Services Limited	England	Financial services
Acromas Insurance Company Limited	Gibraltar	Insurance underwriting
Saga Personal Finance Limited	England	Regulated investment products
Saga Publishing Limited	England	Publishing
MetroMail Limited	England	Mailing house
Saga Independent Living Limited	England	Domiciliary care

Acromas Holidays Limited was previously a directly held subsidiary of the Company. On 1<sup>st</sup> February 2009 Acromas Travel Limited, a fellow directly held subsidiary undertaking, acquired the whole of the issued share capital of £8,000,000 of Acromas Holidays Limited from the Company. The consideration was satisfied by the issue of an ordinary share in Acromas Travel Limited.

On 18<sup>th</sup> September 2009 the Company invested £29,341,751 in the ordinary share capital of Acromas Travel Limited and invested £15,000,000 in the ordinary share capital of Acromas Insurance Company Ltd. All consideration was satisfied in cash.

11. Debtors	2010 £'000	2009 £'000
Trade debtors	1	44
Amount owed by group undertakings	1,222,283	990,156
Corporation Tax	4,796	-
Other Debtors	1,509	793
Prepayments and deferred expenditure	1,263	2,443
Deferred taxation	2,423	-
	<u>1,232,275</u>	<u>993,436</u>

Deferred tax comprises of short term timing differences of £651,000 (2009 - £nil) and an excess of depreciation over capital allowances of £1,772,000 (2009 - £nil).

**SAGA GROUP LIMITED****Notes to the financial statements continued**

12. Cash on deposit	2010	2009
	£'000	£'000
Deposits with financial institutions	<u>208,443</u>	<u>118,774</u>

There are no deposits with maturity dates in excess of one year

**13. Creditors - amounts falling due within one year**

	2010	2009
	£'000	£'000
Bank overdraft	5	10
Trade creditors	662	965
Due to group undertakings	974,159	681,355
Other taxes and social security	1,832	1,581
Deferred government grants	65	65
Other creditors	1,033	37
Accruals and deferred income	8,748	6,392
	<u>986,504</u>	<u>690,405</u>

**14. Creditors - amounts falling due after more than one year**

	2010	2009
	£'000	£'000
Deferred government grants	<u>2,080</u>	<u>2,145</u>

**15. Lease commitments**

The annual commitment under non-cancellable operating leases is as follows.

	2010	2009
	£'000	£'000
Land and buildings		
Leases expiring:		
Within one year	35	-
Between two and five years	104	231
After five years	<u>1,387</u>	<u>1,170</u>
	<u>1,526</u>	<u>1,401</u>
Plant and machinery		
Leases expiring		
Within one year	112	57
Between two and five years	<u>433</u>	<u>498</u>
	<u>545</u>	<u>555</u>

**SAGA GROUP LIMITED****Notes to the financial statements continued****16. Provisions for liabilities**

	Other Provisions £'000
Balance at 1 February 2009	100
Utilised during the year	(121)
Charge for the year	21
Balance at 31 January 2010	-

The provision brought forward related to a liability for costs which crystallised during the year

**17. Called up share capital**

	2010 £'000	2009 £'000
<b>Allotted, called up and fully paid</b>		
18,086,076 ordinary shares at 20p each	3,617	3,617

**18. Reserves**

	Share Premium		Profit and Loss	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Balance at beginning of the year	84	84	483,874	396,125
Profit for the year	-	-	78,752	87,749
Balance at the end of the year	84	84	562,626	483,874

**19. Related party transactions**

The Company has taken advantage of the exemption within FRS 8 (Related party disclosures) in not disclosing transactions with other entities in the Acromas group of companies

**20. Ultimate parent undertaking**

The Company is wholly owned by its immediate parent undertaking, Saga Leisure Limited, a company which is registered in England. The financial statements of the Company have been consolidated in the group financial statements of Acromas Holdings Limited, a company which is registered in England

## **SAGA GROUP LIMITED**

### **Notes to the financial statements continued**

#### **21. Cross company guarantees**

The Company, along with certain of its fellow subsidiaries, acts as Obligor on bank loans made to Acromas Mid Co Limited. At the balance sheet date the principal, accrued interest, guarantees and other facilities outstanding on these bank loans was £5,176.9 million (2009 - £5,164.0 million)

#### **22. Ultimate controlling party**

The Directors consider the ultimate controlling party to be funds advised by Charterhouse General Partners, CVC Capital Partners and Permira Advisers acting in concert

#### **23. Post balance sheet events**

On 8 February 2010 all of the issued share capital of Direct Choice Insurance Services Limited, a fellow group undertaking, was acquired by the Company. The consideration for the transaction of £53,627,000 was satisfied in cash